



Date: May 7, 2014

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Kevin Dick, Director- Office of Economic and Workforce Development (OEWD)

Subject: Public Hearing and Recommended Agreement for Economic Development Incentive with Reinvestment Partners

Executive Summary

This item describes the economic development project proposed by Reinvestment Partners within the Community Development Area (CDA) in the City of Durham outside the downtown development tier. It also describes a proposed economic development incentive contract between Reinvestment Partners and the City of Durham.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) Authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1 and
- 2) Authorize the City Manager to execute an economic development incentive agreement with Reinvestment Partners in an amount not to exceed \$100,000.00 for a building renovation project at 902 N. Magnum Street, Durham NC.

Background

On April 21, 2014 the City Council approved an economic incentive policy amending the earlier policy approved on April 4, 2011 which included the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended to accomplish the following:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs
- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed
- to engage community involvement and support
- to strongly encourage local partnerships
- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the CDA outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

Reinvestment Partners has applied to OEWD for a Neighborhood Revitalization Grant Incentive, in support of its proposed expansion within the CDA outside the downtown development tier. Reinvestment Partners is a nonprofit organization whose mission is to advocate for economic justice and opportunity by advocating change in lending practices of financial institutions and to promote wealth building of underserved communities. In addition to advocating, Reinvestment Partners has been actively engaged in the redevelopment of the E. Geer Street neighborhood, through commercial revitalization. The City of Durham has partnered with Reinvestment Partners to improve commercial properties located at 110 E. Geer Street, 1201 N. Roxboro Street and 836 N. Mangum Street totaling \$102,500 in public dollars.

Reinvestment Partners proposes to renovate an underutilized building at 902 North Mangum Street which is a gateway corridor heading into downtown Durham. The plan is to redevelop a 4500 SF building into a Food Hub. The Food Hub will be an aggregation/distribution and retail outlet that will be linked together to house community organizations, a local farm aggregator, and small food business. The following amenities will be provided:

- Office space for non-profit community service agencies
- Space for cooking demonstrations and culinary education
- Dry storage for non-profits
- Certified kitchen facility for food processing business
- 850 sf of walk-in cold storage space
- 150 sf of freezer space
- A cool packing room for producing sorting and packing

The primary beneficiaries of the proposed Food Hub will include new and existing social entrepreneurs, populations with limited access to healthy foods, and local farmers. The Food Hub itself initially will have five jobs that will relocate to the neighborhood. The project, when completed, will stimulate new business development for Durham residents in this Targeted Neighborhood Commercial Corridor.

Reinvestment Partners – Food Hub

Total Cost: \$585,000

Public Cost: \$100,000.00

Issues and Analysis

The Reinvestment Partners proposal was recommended for funding based on its alignment with the goals and objectives of the Neighborhood Revitalization Grant Incentive Program. The grant program is supported by the RKG Neighborhood Assessment Plan of March 2006, which supports this type of grant incentive program. A major priority of the City of Durham is increasing and strengthening the economic stability of the City. Staff endorses this project which would serve to promote the continued revitalization and vitality of downtown Durham and its surrounding neighborhoods. The project when completed will stimulate new business development for Durham residents in this Targeted Neighborhood Commercial Corridor by creating a food hub with office and meeting space in addition to five new jobs which are projected to locate to the neighborhood.

The proposed project will produce \$420,000.00 in private investment with \$100,000.00 in City funding, producing a 4.2:1 ratio of private to public funding. The anticipated sources of capital for the project are as follows:

| <u>Source</u> | <u>Amount</u> | <u>Status</u> |
|--|----------------------|---------------|
| Source 1 Reinvestment Partners | \$220,000.00 | Committed |
| Source 2 City | \$100,000.00 | Requested |
| Source 3 PNC | \$200,000.00 | Committed |
| Source 4 NC Agriculture Department | \$ 65,000.00 | Requested |
| Total | \$ 585,000.00 | |

Other Deliverables

The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes.

- Adherence to a Durham Workforce Plan will be a contract deliverable and Durham residents will have the opportunity to apply for positions through the Durham JobLink Career Center System.
- An incentive would help create opportunities for Durham-based businesses to bid on construction-related work associated with the project. Adherence to a Durham-based business plan for construction-related trades would be a contract deliverable. It should be noted that the contractor that is likely to be selected to undertake the project will be a Durham-based firm that has a strong familiarity with other local Durham firms and the City's Equal Opportunity Equity Assurance (EOEA) program. Therefore, the likelihood of other Durham businesses participating in this project would increase.
- As a voluntary component of the project, Reinvestment Partners is planning to include an original, artist designed, mural to be located at the project site, 902 North Mangum Street. The work will be funded out of the project budget.

Alternatives

The City Council may reject the recommendation or may choose to fund the project at a lower amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant program in the Community Development Area. The proposed project will have positive effects on the appearance and business climate of the affected location.

Financial Impact

Funding for this project will come from the FY 2014 Neighborhood Revitalization Fund.

SDBE Requirements

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item.

Attachments:

- Neighborhood Incentive Agreement for Reinvestment Partners
- Reinvestment Partners Project Description & Overview
- Reinvestment Partners Food Hub Design